

california postsecondary education:

Challenges and Constraints

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California Postsecondary Education Commission

SUMMARY OF TESTIMONY TO COMMITTEES OF THE
CALIFORNIA STATE LEGISLATURE

Assembly Permanent Subcommittee on
Postsecondary Education, January 31,
1979

Assembly Ways and Means Subcommittee
on Education, February 20, 1979

Senate Finance Subcommittee #1,
February 7, 1979

I. THE CONTEXT. TRENDS AND POSTSECONDARY EDUCATION ENROLLMENTS

Mr. Chairman and Members of the Committee,

My testimony today will address the rapidly changing context within which public and institutional policy for postsecondary education will be made now, and in the next few years. This context is being altered for reasons which go far beyond Proposition 13 and which require that we re-examine and revise fundamental assumptions that have served as the bases of public policy for California higher education for more than two decades.

California adopted the outlines of its current system of organization for higher education in a master plan written in 1960. This plan was basically a blueprint for accommodating the need for dramatic and unprecedented expansion. Times have changed, and I would like you to consider for a moment one of the significant differences between the issues which dominated the last twenty years and those which will dominate the next twenty.

Tables 1 and 2 focus on the 18-24 year-old group, the primary users of higher education. As the first graph shows, the major challenge facing the drafters of the 1960 Master Plan was to accommodate the rapid growth in the size of that age group and to assimilate the people born during the postwar baby boom in an orderly and efficient way.

Table 2 shows the projections for the next twenty years. As we look at the same age group, it is apparent that what lies ahead is drastically different from the era we recently com-

TABLE I
CALIFORNIA POPULATION AGES 18 - 24
1960-1980

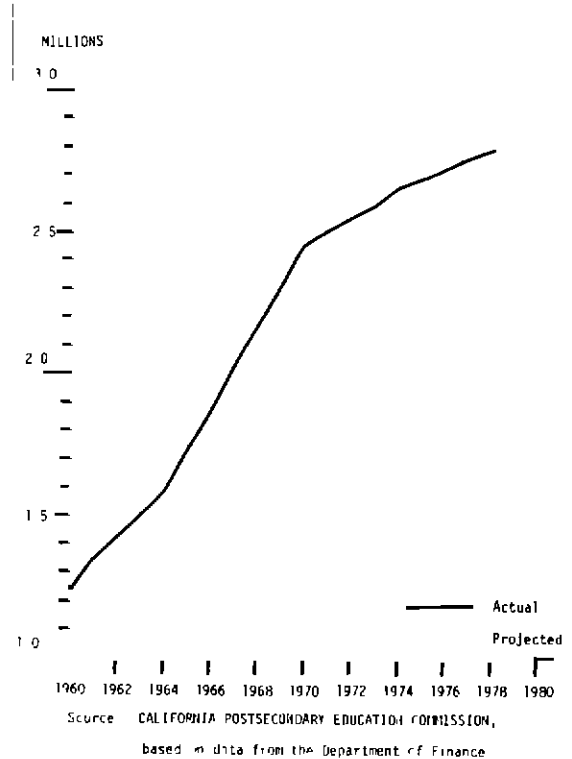
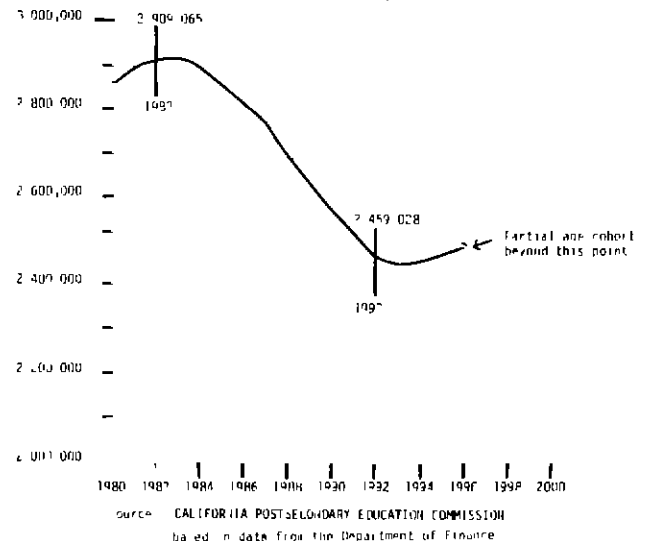


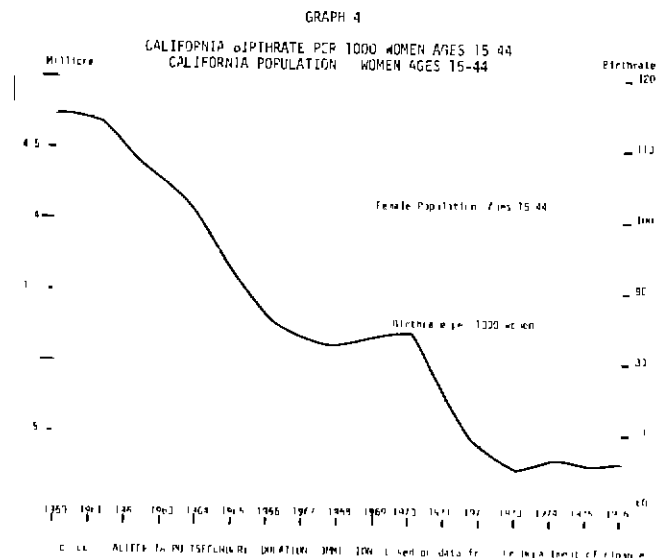
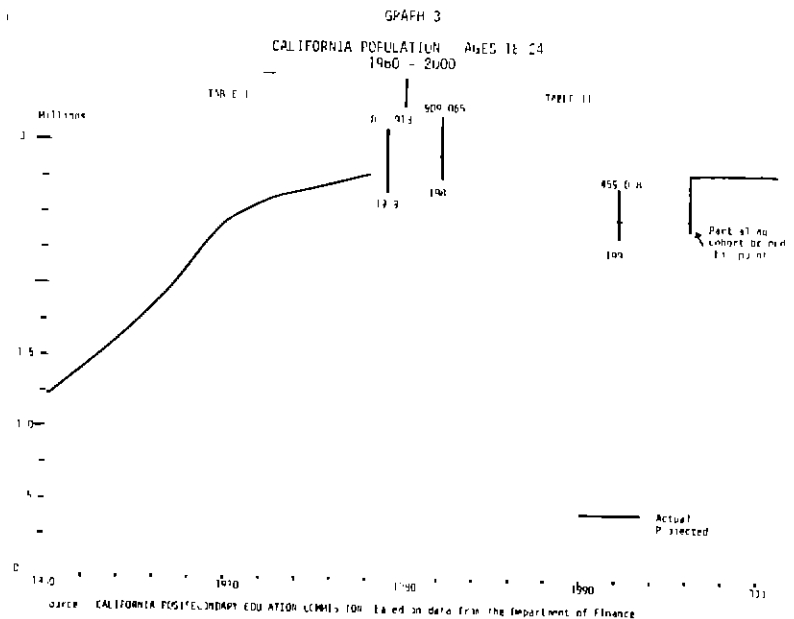
TABLE II
PROJECTED CALIFORNIA POPULATION AGES 18-24
1980 - 2000



pleted. The size of this 18-24 age cohort will peak at 2.9 million in 1982, and then drop sharply--to 2.45 million--by the early 1990s. The "softest" part of this projection begins in the mid 1990s, where the line begins to climb, because most of these people are not yet born. (Graph 3 provides a forty-year perspective, from 1960 to 2000.)

The major factors which most influence the size of the age group eligible for college at a particular point in time are the number of childbearing women and the birthrate--not current, but as of 18 or more years earlier. Graph 4 displays both of these phenomena for 1960 through 1976. The ascending line is the female population of childbearing age and the descending line is the birthrate per 1,000 women. There has been a slight upward trend in the birthrate over the last few years, but even this recovery leaves the birthrate just above half of what it was some two decades ago.

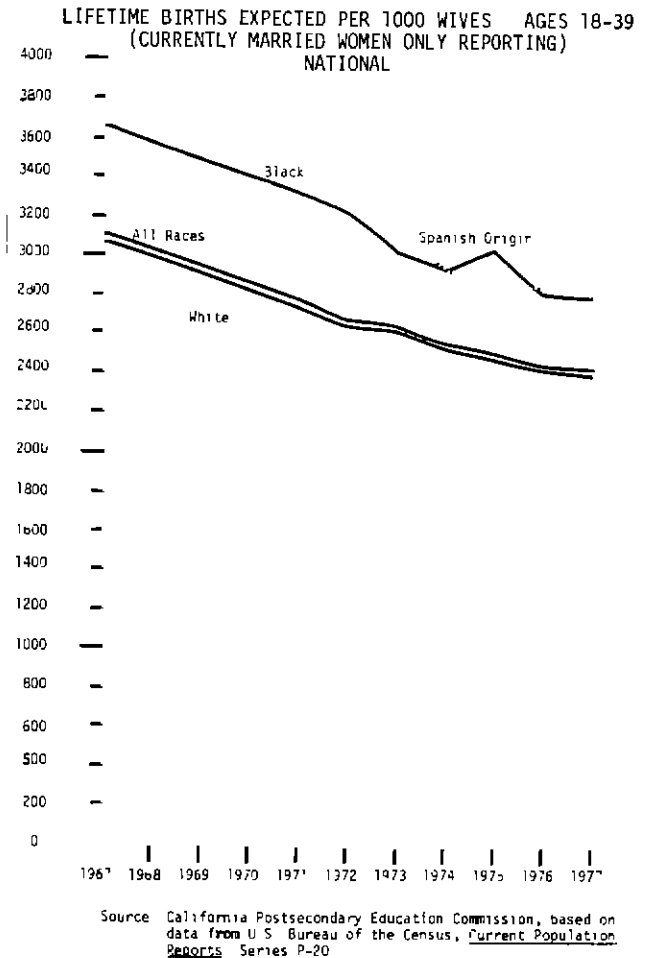
Another important consideration is the changing characteristics of California's population. The most significant changes are the results of differential birthrates among ethnic groups. The data in Graph 5 can be assumed to be conservative--because it is national, because of the problems encountered by the U.S. Bureau of the Census in collecting accurate data from certain minorities, and because the census information is limited to married couples. As you can see, the birthrate fell first and most rapidly among whites. Thus a higher proportion of young people, and eventually of the entire population, will be "minorities" whose historical and current participation in postsecondary education is far less than that of whites.



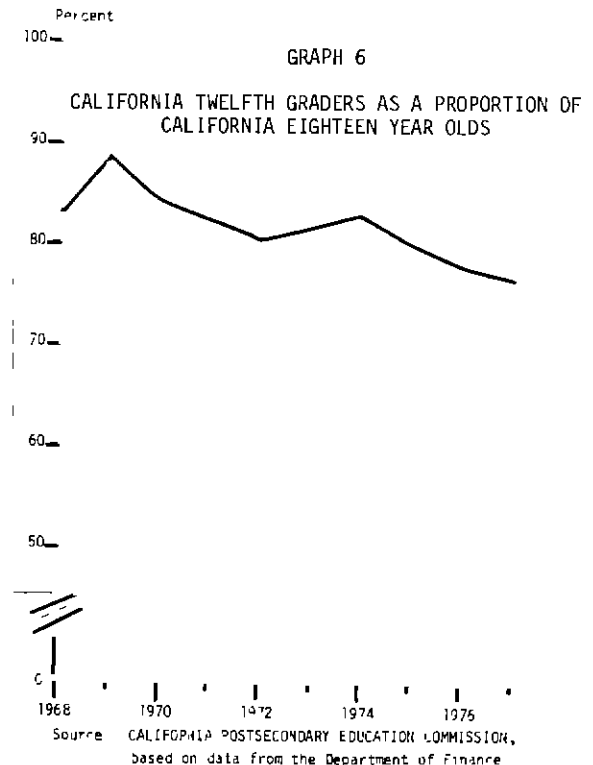
In addition, people who do not finish high school are not usually considered potential candidates for a college education. Some who do not graduate may re-enter education via the Community Colleges, but most never become part of the pool of those potentially eligible for independent colleges and universities, for the California State University and Colleges, or for the University of California. Graph 5, which shows California twelfth-graders as a proportion of California 18-year-olds, reveals that a smaller percentage of eighteen-year-olds are attaining the twelfth grade now than in the past. This reflects a significantly greater high school drop-out rate, another way in which we are seeing a reversal of the sixties. During that decade, the high school graduation rate rose by more than the Master Plan had anticipated. Just as higher rates of high school completion intensified the pressures for expansion of higher education, lower rates may aggravate the contraction.

A third, and largely independent, factor influencing the size of higher education is the rate at which potential students decide to enroll. Their choices are influenced by a number of factors, and it is this area of prediction that evokes the greatest disagreement among experts. While we cannot predict these choices with the same level of confidence and accuracy with which we forecast the numbers of persons in the various age groups, we do know that there are several factors that must be taken into account to anticipate what will happen in the next twenty years. Obviously, one is the economy. Other major factors include manpower training programs; employment prospects, and military recruiting whether that recruiting is accomplished through a draft or by incentives for voluntary enlistment.

GRAPH 5



GRAPH 6



These projections and trends suggest a revised agenda for California postsecondary education. Our energies and our policies can no longer be dominated by the growth imperative. This need for change in the agenda has developed abruptly. The expansion that was needed has been largely achieved. From 1953 to 1977, the national college-age population doubled. While this was occurring, the high school completion rate and the proportion of students who enrolled in postsecondary education also increased sharply.

To summarize, California can expect a drop of about 15 percent in the size of the overall pool of 18-24 year-old students. In the national context, this appears to be a moderate reduction. Some states, especially those with declining population, will experience more severe decreases. When we look beneath the gross figures, however, we find increases in the proportion of young people from groups which have not attended postsecondary institutions in the past, and decreases in the proportion actually finishing high school. If the rate of high school completion, particularly among "minority" groups, and the participation of these groups in postsecondary education do not rise, it is not beyond the realm of possibility that enrollments in California postsecondary education could drop by one-third or more during the 1980s. This is not a prediction, but it is one possible outcome if current trends persist.

The factors I have described influence the size of the 18-24 year-old age group and their decisions to enroll or not to enroll in college. Over 44 percent of 18 and 19 year olds enroll in postsecondary education (currently a higher proportion than any other age group), while over 30 percent of 18-24

GRAPH 7
RACIAL COMPOSITION OF CALIFORNIA - 1976

RACE/ETHNICITY	PERCENT DISTRIBUTION
TOTAL	100.00
WHITE other than Spanish	71.52
SPANISH	15.84
BLACK	7.74
AMERICAN INDIAN	.51
CHINESE	.90
JAPANESE	1.20
FILIPINO	1.22
KOREAN	1.3
VIETNAMESE	1.4
OTHER	.60

Source: U.S. Department of Health, Education & Welfare, Survey of Income and Education tape file, as adjusted and ratioed to the Department of Finance total population estimate of July, 1976 as shown in Report 77-E-2

GRAPH 8
NATIONAL
HIGH SCHOOL COMPLETION FOR PERSONS 16 TO 34
YEARS OLD BY RACE AND SPANISH
ORIGIN
OCTOBER 1977

(in 1,000's)		
WHITE 4,72		8.4
BLACK 6,799		66.1
SPANISH ORIGIN 3,144		57.5

Source: CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
based on data from U.S. Bureau of the Census,
Current Population Reports, Series P-20

year olds, the group most likely to attend as full-time students instead of taking just one or two courses, enrolls in postsecondary education.

The age group with the next highest participation rate is the 25-34 year-old cohort. The number of Californians in this category will continue to grow slightly but at a rate of little over 1 percent a year in the early 1980s; slowing to 0.2 percent by the early 1990s. Beginning in 1992, this group will start to decrease in size. Even if the participation rate of this and other older age groups in postsecondary education should increase, it is unlikely that growth will be sufficient to offset the impact of fewer 18-24 year olds. If older students enroll, they are more likely to enroll part time. It takes from three to five part-time students to replace one full-time student in terms of credit hours generated and most other indices used for allocating resources

I want to emphasize that all institutions of higher education will not be similarly affected by these trends. Student choice will play a role. It is likely that some institutions will be found more appealing than others; the most prestigious universities will probably be less affected than others. Some areas of California will continue to grow--and institutions in these areas which are oriented to a local or regional "market" may grow--while others across the State shrink. Nevertheless, the statewide prognosis is for a net decrease.

There are several important implications in all of this.

In a no-growth or decline situation, resources distributed on the basis of enrollment do not increase and internal shifts in

enrollment patterns become much more difficult to accommodate. We have seen a few such shifts in the last ten years when students have moved, for instance, into more applied academic program areas, such as business and engineering, and out of the less costly liberal arts programs. It is much easier for an institution to handle fluctuations of this kind when its total enrollment is growing.

Our physical facilities may be underutilized in many cases. The total educational cost per student increases when enrollments decline. Even if staffing is cut back in proportion to those declines, there are many fixed costs--of physical plant and maintenance, adequate library acquisitions, etc.--that will be charged to a smaller number of students.

Higher education currently faces these kinds of problems with limited flexibility. For example, in 1978 the tenure rate for full-time faculty at the University and State University was about 75 percent, and in the Community Colleges, in 1977, the most recent year for which data is available, over 90 percent. When the number of new students is steady or declining, little or no hiring takes place, and the average age of faculty rises every year. The extension of the mandatory retirement age to seventy is probably going to have a significant impact, delaying for another five years the time when new blood can come into the system. Also, faculty mobility has decreased so we do not have the movement from college to college we once had.

Affirmative action is in serious trouble, we just are not going to be doing much hiring. It is ironic that at a time when we are beginning to achieve some success in graduating more qualified women and minorities from the graduate and professional schools and ready to assume faculty positions, the market is shutting down.

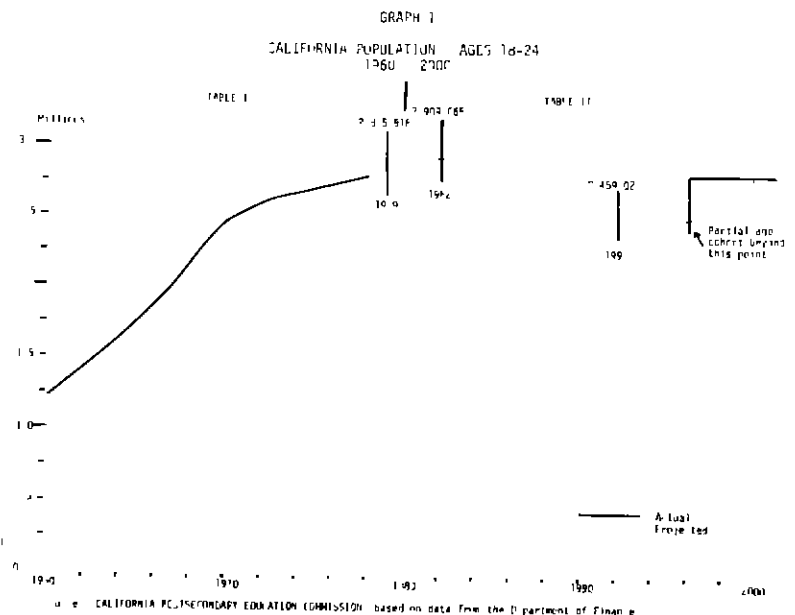
II. COMPETING PRIORITIES AND FISCAL CONSTRAINTS

This part of my presentation will be more technical than usual. I think it is important to look at some of the fiscal trends that have emerged, both in the last four or five years and also in the wake of Proposition 13, and then to put into perspective some of the issues you will be facing. Also, I want to identify those items that will require special attention in the budget hearings this year and suggest ways in which you might address them. Finally, I would like to offer a few observations and recommendations.

Those of you who were present in the subcommittee on Postsecondary Education may recall my description of the demographic factors that will affect the level of demand for postsecondary education in the next decade. I will not repeat the details except to say that when one looks at the next ten or fifteen years, these demographic factors are, I believe, of greater importance than the issues related to Proposition 13.

What Graph 1 does not show is the projected change in the 18 and 19 year-old population in California, (now around 822,000) which will fall 7 percent by 1985, and a total of 17 percent by 1990. As the Analyst's Report and my earlier testimony point out, the current participation rate of this age group in public postsecondary education is about 44 percent. This is three times more than that of the 25-29 year olds, and almost nine times greater than that of the 35-60 year olds.

While the impact of these demographics will not be felt for several years, we are already experiencing enrollment declines. Total student FTE enrollment



in 1979-80 is projected to be about 8.6 percent below that of 1975-76, California's peak year. Most of this decline will occur in the Community Colleges, but the State University's enrollment is also projected to decline about 2 percent, and the University of California under 1 percent. Statewide, much of the decrease can be attributed to students taking lighter course loads and, in the Community Colleges, to some of the cuts following Proposition 13. However, I think it's important to reiterate that these declines in participation rates are occurring before we see the general population decline in the 18-24 year-old age group which, as I noted, traditionally has provided the heaviest participation in postsecondary education. The current declines in participation, if more than temporary, will certainly aggravate the declines in the 1980s.

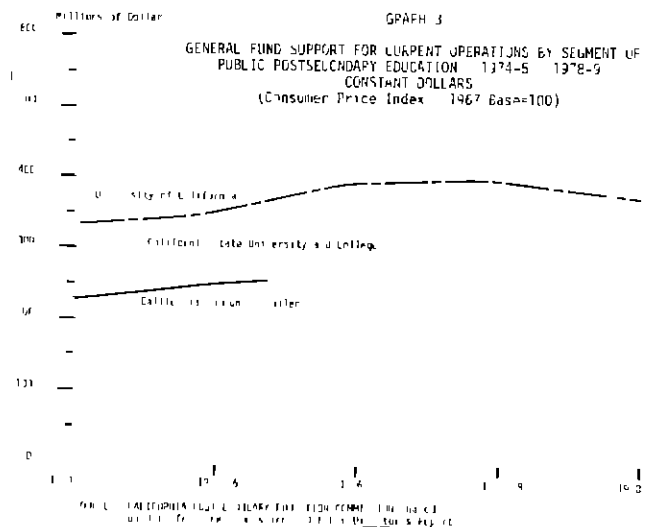
I would like to turn now to a discussion of fiscal trends and support for the current operation of the public segments of postsecondary education. First, it is important to note that the total operating funds available from all sources to the public segments have risen steadily during the past five years, by approximately 5 percent per year, from \$3.6 billion in 1974-75 to \$4.9 billion in 1978-79, a total increase of 26.5 percent. Graph 2 shows that the State's General Fund commitment for the support of operations, excluding capital outlay, has risen from \$1.4 billion in 1974-75 to \$2.34 billion in 1978-79. This represents an increase of approximately 13.5 percent for postsecondary education over this five-year period.

Graph 3 shows that in constant dollars, the increases in State funds I have described are far less dramatic. Based on the 1967 Consumer Price Index, the University's budget for current opera-

tions increased in constant dollars by \$65 million between 1974-75 and 1977-78, and then fell by \$26 million in 1978-79. The total increase in constant dollars in those five years equaled 11 percent. The State University's budget increased by \$41 million in constant dollars between 1974-75 and 1977-78, and fell by \$20 million for 1978-79, for a net increase of 10 percent in the last five years. The Community Colleges showed the same gradual growth in State General Fund support between 1974 and 1977, with an increase of \$65 million in constant 1967 dollars. Then, in 1978-79, the State's bail-out funds increased General Fund support for the Community Colleges by over \$100 million in constant dollars, a 38 percent increase over the previous year, and 78 percent higher than the 1974-75 state funding level. Because of the loss in property tax support, however, the total dollars available from all sources for the Community Colleges dropped by nearly 61 million dollars in 1967, or over 11 percent between 1977-78 and 1979-80.

The State's proportion of the University's total revenues has remained stable at about 32 percent. A far greater proportion of the total resources for the State University - around 70 percent - is provided by the State because this segment does not receive the large amounts of outside money for research which are part of the University's budget. Until 1978-79, the State contributed around 40 percent to the operating revenues of the Community Colleges. However, when SB 154 distributed the State's budget surplus, replacing local revenues lost after Proposition 13, the State's proportion increased to 70 percent.

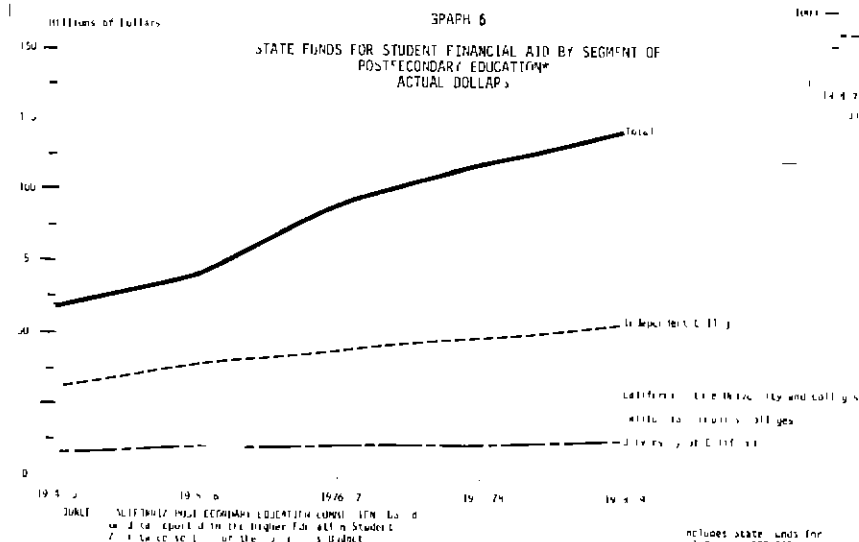
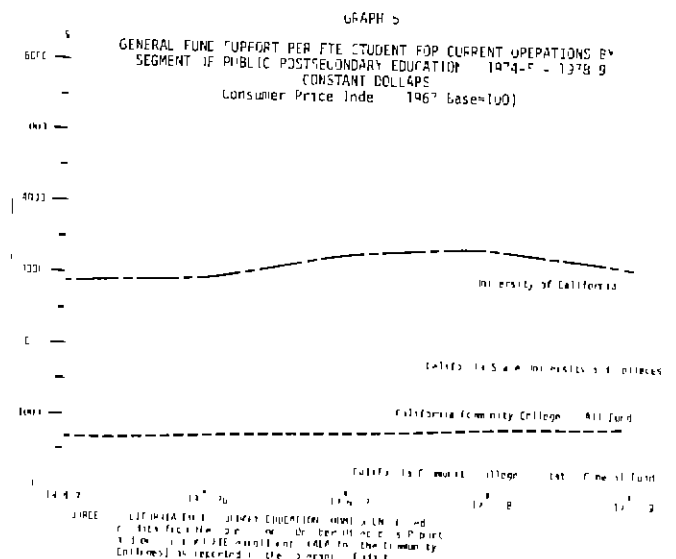
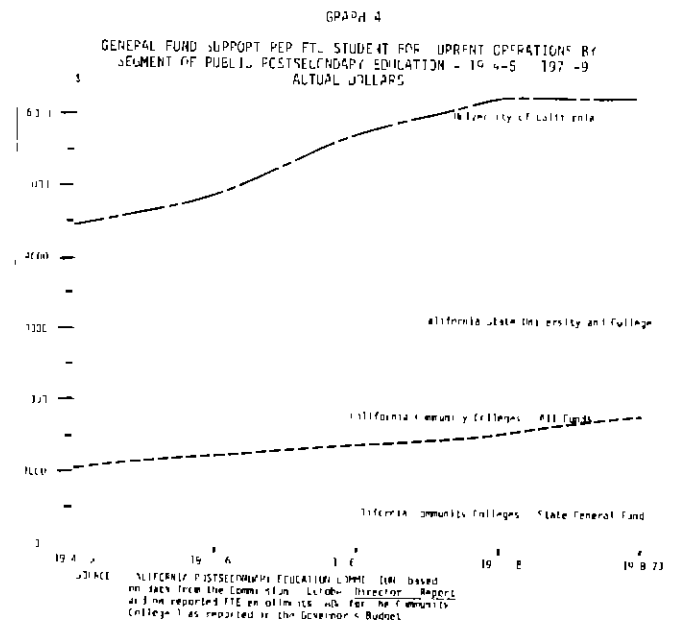
Despite these variations in support levels, it is important to understand that the State provides the



overwhelming majority of instructional and administrative funds for all public postsecondary education. The fact is that the State will continue to be the primary source of instructional support unless those institutions should happen to develop large, new sources of revenue.

Graph 4 displays the State's General Fund commitment in terms of full-time-equivalent (FTE) students. As a caveat, I would emphasize that this is a very rough measure, because State dollars support a far wider range of activities at the University than at the other two segments. Nevertheless, this graph reveals several important trends. The University and the State University enjoyed steady increases in current dollars per FTE student during the 1970s. However, State dollars per student remained almost exactly the same in fiscal 1977-78, and what the graph indicates is a leveling-off of State support.

In addition to support for segmental operations, State General Funds also provide approximately \$125 million for student financial aid programs (see Graph 6).

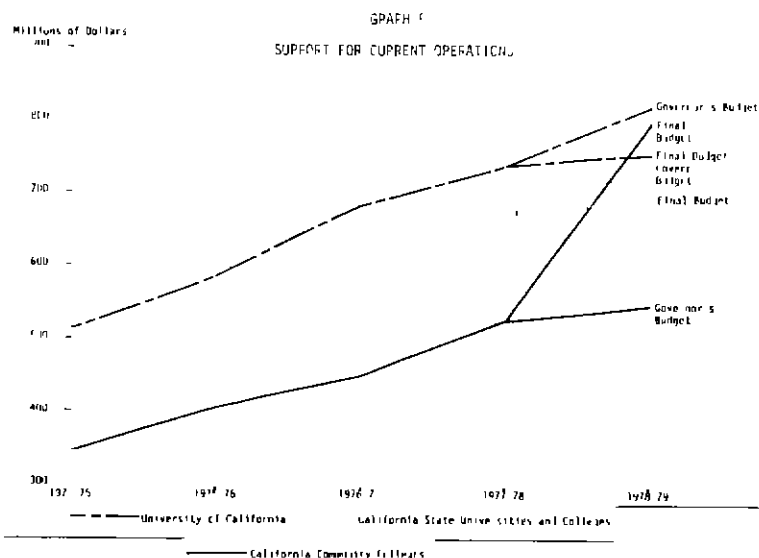
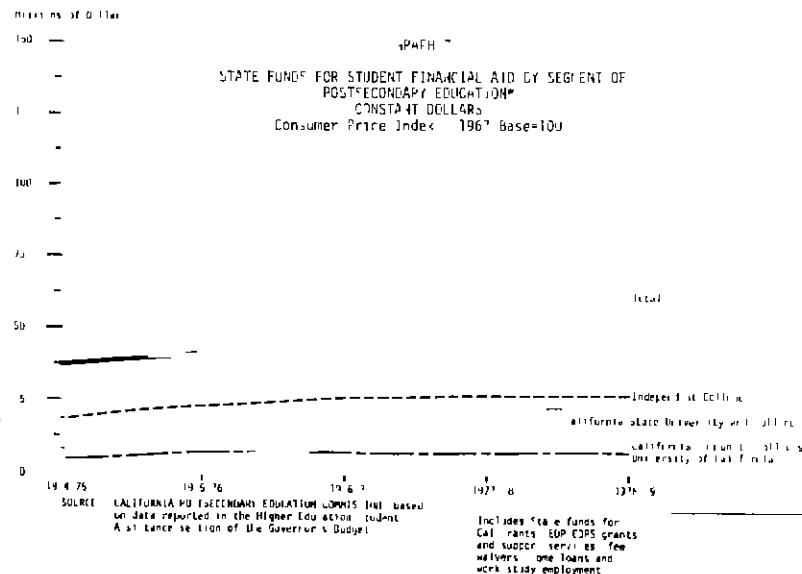


includes state funds for all Grants, EOP, loan and support, interest, fee waiver, some loans and work study program.

Although since 1974-75, State funds for student aid have doubled when measured in current dollars, Graph 7 illustrates that this represents only a \$12 million dollar increase in constant dollars available for student assistance. Since 1976, the funds available for State financed student assistance programs have not increased when measured in constant dollars. At the same time, federal funds for student aid have increased steadily, and are anticipated to increase dramatically with the full funding of last year's federal Middle Income Student Assistance Account.

I would like to turn now to a brief overview of the 1978-79 budget requests of the public segments, the action taken by the Governor, and the proposals made by the Legislative Analyst. Before doing this, however, I want to discuss briefly two significant events relative to the 1977-78 Budget.

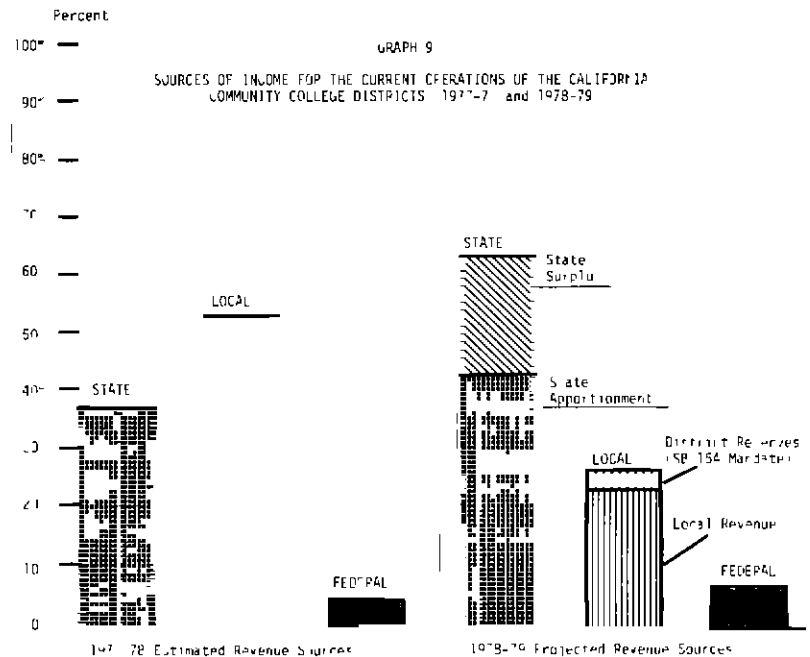
As shown in Graph 8, the University and the State University sustained major reductions in the final Budget Act for 1978-79; greater than those recommended in the Governor's Budget. These reductions came chiefly through elimination of certain program improvements and all cost-of-living salary increases, as well as through control language implemented after the budget was adopted.



The Community Colleges jumped from third to first place in total State dollars committed to a segment of postsecondary education. The sources of revenue available to the Community Colleges was altered dramatically by Proposition 13 and SB 154 (Graph 9).

It should be emphasized that much of the 1978-79 budget reduction sustained by the University and the State University was in the form of salary increases which were not granted. In view of the State Supreme Court decision in the Sonoma County case, making it unconstitutional for the State to forbid salary increases for employees of local agencies receiving State bail out funds, it is possible that these campuses will be the only public educational institutions in California unable to provide faculty and staff with salary increases. Should this happen, it would appear that University's and State University's budget reductions may be used to offset salary increases for Community College faculty and staff.

Turning to the 1979-80 Budgets, we see the continuing impact of Proposition 13 and steady-state enrollment. As always, there are significant differences between the amounts requested by the segments and the amounts in the Governor's Budget. The 1979-80 differences, however, are larger than usual and reflect several important policy decisions. I shall highlight these decisions and identify certain trends in State-level budgeting for postsecondary education. First, both the University and the State University began their budget planning for 1979-80 with the assumption that the reductions mandated in last year's budget control language were temporary and would be restored to the 1979-80 base. These reductions totaled \$15.4 million for the



University and \$14 million for the State University, representing approximately 2 percent of their total State budgets. The Governor and the Department of Finance have decided to continue these reductions. In addition, the Governor's Budget mandates another 1 percent in unidentified savings in 1979-80 which must be achieved through the elimination of low-priority activities. ---

Second, the Governor stated that all salary increases should be determined through collective bargaining. The University formally requested an increase of 16 percent for faculty members, and conducted a survey which indicated a need for a parity increase of 13 percent for non-academic staff. Together, these increases total about \$100 million dollars. The State University officially requested salary increases of 14.4 percent for faculty and 12.5 percent for non-academic staff, totaling a little over \$92 million. The Community Colleges estimated that \$70 million should be made available for salary increases ---

Third, the California Community Colleges entered the budget review process in an unprecedented way. Previously, State apportionments for the colleges have been guaranteed through a statutory formula which provided dollars per measure of attendance based on the relative wealth of the districts and their enrollment. These apportionments have never been an item in the Budget Act subject to the same review as the funds requested by the other two segments. Proposition 13, however, not only reduced local revenues for the Community Colleges, but also destroyed the basis for calculating equitable State apportionments. Therefore, the Community College Chancellor calculated the increases needed statewide, and

requested a total amount from the State General Fund in much the same way as the other requests have always done. For the Community Colleges the total request comes to \$925 million in 1979-80, a 14 percent increase above the \$797 million total which they received in 1978-79 through apportionments and the State surplus

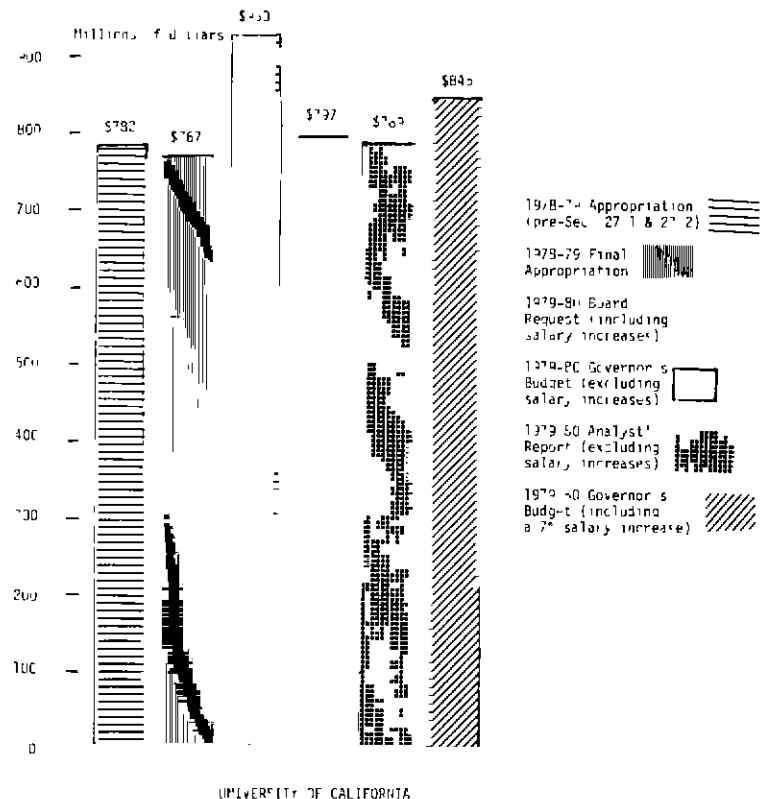
For all three segments, the Governor's Budget for 1979-80 includes only about half the dollar non-salary increases requested

Graphs 10-A, 10-B, and 10-C identify the initial requests from each of the segments, the amounts in the Governor's budget, the Legislative Analyst's recommendations, and an estimate of totals (including a projected cost-of-living salary increase).

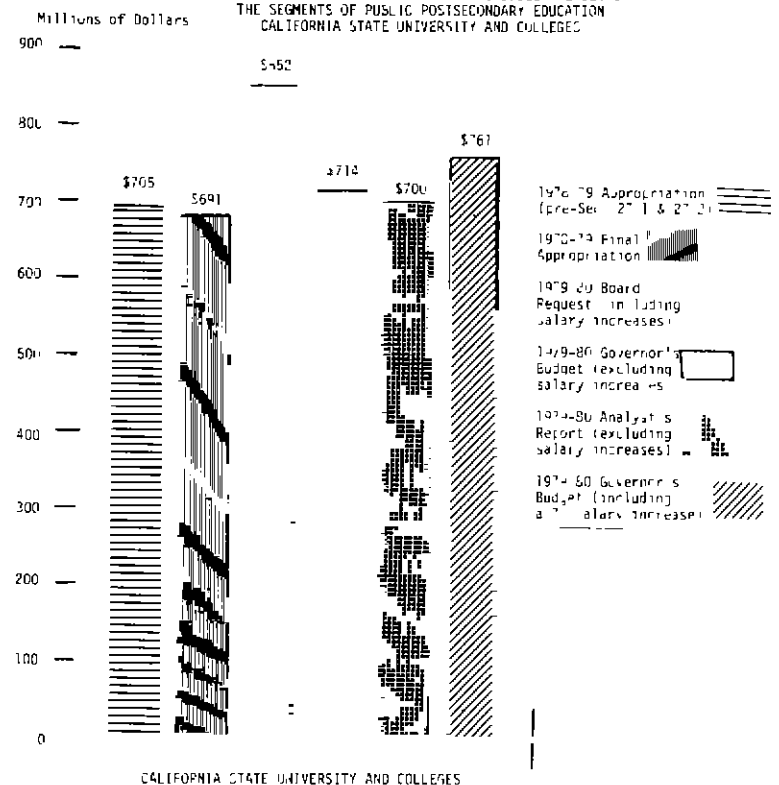
In terms of the University, the Governor cut most heavily into the request for handicapped-student support services, additional research projects, a lower student/faculty ratio through maintenance of the current level of faculty, and a lower student/teaching-assistant ratio. The Analyst's recommended cuts occur primarily in requested increases for institutional computing, student affirmative action, malpractice insurance, and energy costs.

The Governor's Budget reduced the State University's requests for increasing the number of faculty members, increasing handicapped-student services, implementing a new student affirmative action program, and increasing library acquisitions and services. The Analyst's reductions occurred primarily in the areas of writing skills programs, library acquisitions, energy costs, and in the calculation of salary savings for faculty and staff.

GRAPH 10-A
1978-79 ESTIMATED BUDGETS AND 1979-80 BUDGET REQUESTS FOR
THE SEGMENTS OF PUBLIC POSTSECONDARY EDUCATION
UNIVERSITY OF CALIFORNIA



GRAPH 10-B
1978-79 ESTIMATED BUDGETS AND 1979-80 BUDGET REQUESTS FOR
THE SEGMENTS OF PUBLIC POSTSECONDARY EDUCATION
CALIFORNIA STATE UNIVERSITY AND COLLEGES

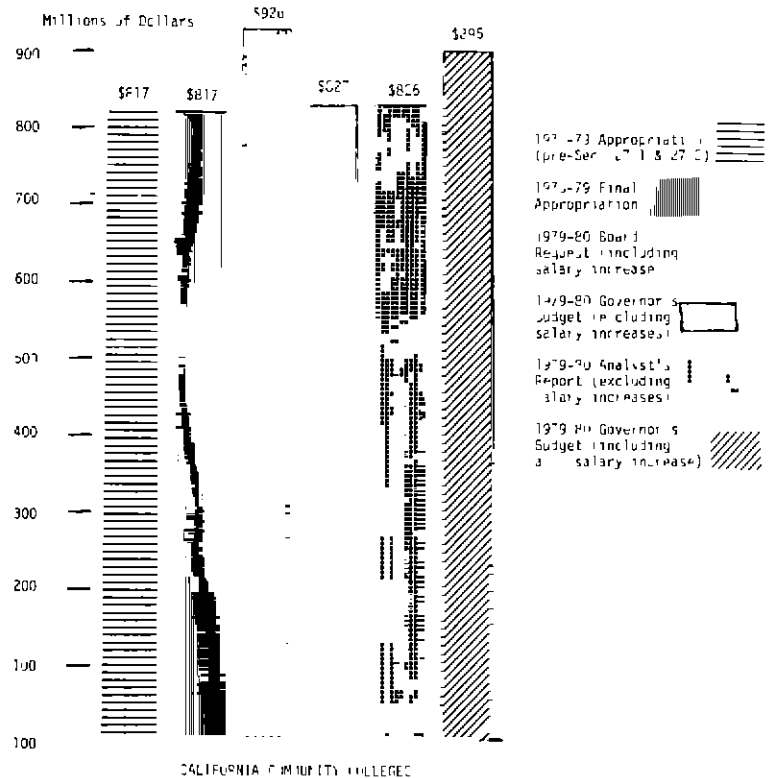


In the case of the Community Colleges, neither the Governor or the Legislative Analyst dealt with the balance of the support funds needed in addition to the regular State apportionments. The Community Colleges received \$260 million from the State surplus for 1978-79, an amount which was added to \$537 million in State apportionments. Since the apportionments are estimated to increase by only 4 percent for 1979-80, any additional funds will likely be determined outside of the budget bill.

After considering all the budget details, there appear to be four potential trends in State-level budgeting for postsecondary education this year. The reductions imposed immediately after Proposition 13 will very likely be continued. Second, it appears that additional budget reductions will be made, but there is some sentiment for allowing the segments to determine where these will occur. The third point is that very few program enrichments have been approved. Fourth, it appears that every attempt has been made and will be made to identify non-personnel savings that will not threaten jobs.

In addition, there are issues of inter-segmental consequence which will require your particular attention this year. The first includes efforts to increase the participation of underrepresented students in postsecondary education. Student affirmative action, as it has been called in California, is an important item for this Committee to consider again this year. All of the segments should be asked to discuss the general status of underrepresented groups and those programs which seem to be working to increase their representation. It is also important that this Committee address the need for a visible State commitment to student affirmative action in all segments of postsecondary education.

GRAPH 10 C
1978-79 ESTIMATED BUDGETS AND 1979-80 BUDGET REQUESTS FOR
THE SEGMENTS OF PUBLIC POSTSECONDARY EDUCATION
CALIFORNIA COMMUNITY COLLEGES



The goal which the Legislature set for increased participation of underrepresented groups by 1980 needs to be re-evaluated. We have failed, and will fail by a good deal, to meet that 1980 goal. It seems to me that it is time for a serious discussion of what the implications of that failure are, and what the next constructive steps might be.

Finally, in the past there has been a tendency on the part of groups such as the Commission, as well as the segments and the Legislature, to support programs developed to increase representation of minority groups because of a general agreement with the basic social values which underlie such programs. We must maintain our commitments to these values, but we also need to look much more tough-mindedly at program effectiveness--at what works and what doesn't work, not simply at what has high purpose or good intention. The Commission will try to take a leadership role in bringing a much more rigorous analysis of these programs and their effectiveness to your attention during the next year and in the future. In our current fiscal environment we simply must make every dollar we spend as effective as possible in addressing the educational problems of underrepresented groups.

A second category of underrepresented students includes the handicapped. Here we are operating under both federal and State mandates, but there is no consistent policy being applied to all the segments with respect to the kind and quality of services which will be provided and funded by the State. If we do not systematically address this problem, there is a strong likelihood of individual human beings and their educational opportunities slipping through the cracks. We may

also face the prospect of time-consuming and expensive litigation as California's handicapped become more and more willing to pursue through the courts the rights that federal legislation has given them, if those rights are not recognized by the State and our institutions.

Faculty salaries is the third issue I would like to call to your attention. By any measure one wishes to use--whether it be the traditional comparison with similar institutions across the country, the relationship to the Consumer Price Index, or the estimate of decline in purchasing power--our faculty are behind. Faculty in comparable institutions across the country are getting more for doing the same work. This is a serious problem of equity, of fairness, and of morale which the Legislature should address.

The fourth area, capital outlay, must be examined in light of inter-segmental consequences rather than in the isolation of each segment's budget. The Capital Outlay Fund for Higher Education appears to be shrinking, at the same time that our other sources of funding for capital expansion have all but disappeared. So the result is fewer resources with more demands made upon them. The next few years will require a better sense of statewide priorities for capital outlay and, of necessity, a very conservative approach. We should try to minimize our investment in new construction and keep in mind the fact that it will cost an enormous amount of money--in certain cases at the expense of improvements in the effectiveness and quality of education--just to maintain the capital plant we have built during a period of underutilization

In terms of priorities for this year, particular attention needs to be paid to those underrepresented groups which were left behind in the major expansion of California's postsecondary education in the 1960s and 1970s. The issue then was to expand and grow as quickly as possible; in the next two decades, the problem will be to incorporate the groups that, for one reason or another, were not able to participate in that general expansion. The second priority is salaries. We must maintain the quality and morale of faculty that will allow higher education to continue to provide the service to the people of this State that we have had in the past and will need in the future.

III. LEGISLATIVE EXPECTATIONS AND EDUCATIONAL LEADERSHIP

What should you, as legislators, expect of California's colleges and universities as they address this new era created by declining enrollments and fiscal stringency. First, I think you can expect a certain amount of initial confusion. The dilemma for those who administer our institutions, and for those who participate in the governance process, is going to be similar to one you often face. It is the dilemma of having to choose between competing objectives that are both desirable and worthwhile. Educators and policy-makers will have to examine a broad range of programs and activities systematically and decide which are more important than others, and which ones command a higher priority in terms of student and societal needs.

To accomplish this, a very different management style must be adopted. Higher education simply does not have the tools and traditions at hand to deal with long-term declines of the magnitude that now face us. While most institutions have experienced a year or two of retrenchment and tight budgets, we are now talking about a period which will extend over the next ten or fifteen years. The development of policies and procedures appropriate to these new circumstances will be very difficult for institutions which have operated primarily in the traditional mode. The consensus approach to decision making, which has characterized the academic process, works much more smoothly in times of growth and expansion than in those of retrenchment and contraction.

This new management style is one which places primary emphasis on the review and evaluation of existing programs and on the allocation of limited resources

within the context of carefully formulated criteria and priorities. The review and evaluation process must be comprehensive, systematic, and rigorous. Duplicate programs must be examined closely and may have to be limited; programs may have to be consolidated or terminated. This process of self-examination should take place within each department, each campus, and each segment. The State also has an interest, just as it did in the era of expansion, that there is statewide coordination of programs, resources, and opportunities. In this new era, the ability to do new things--launch new programs, respond to new needs--will come primarily from the re-allocation of existing resources, not from large infusions of new dollars.

A new management style should also encourage imagination and fresh approaches. Particularly when both productivity and individualization of the educational process can be enhanced, the sharing of resources, facilities and faculty should be encouraged, as well as consortial arrangements and the greater use of technology where appropriate.

There are two essential objectives in our efforts to deal with the new conditions facing higher education. One is the need to maintain the existing high quality of our educational programs. The other is to ensure that the public interest is served. Despite the fiscal pressures under which higher education will be operating, we should expect those responsible for our institutions to avoid making mechanistic, across-the-board cuts. We should expect selective and differential cuts which are based on qualitative judgments and a concern for protecting areas of high quality and high priority. Finally, we should expect institutions to demonstrate

that the educational needs of the public are taking precedence over the aspirations of campuses, faculties, and staffs.

In all of this, the role of the Legislature and the Governor should be primarily one of oversight, ensuring that these procedures and priorities are in place and operating in the decision-making process of the campuses and segments. Most of the decisions regarding academic programs and academic priorities should be made by the institutions and systems themselves. For that reason, I want to urge the Legislature to provide a good deal of flexibility to those who have the policy management responsibilities for our campuses, while at the same time assuring that basic State and societal objectives are being met. The more limited our resources become, the more we have to rely on the judgment of the people who use them. We should be sure that our budgeting procedures and other public policies provide some incentives for economizing and reallocating. If for instance, economies are achieved through effective administration and tough management decisions, only to have the State recapture the savings, we are creating disincentives for the type of leadership we should be encouraging.

This is a time when you should provide our educational leaders with more, rather than less, responsibility for exercising judgment. Of course, by doing so, you will create certain burdens for yourselves. As those management decisions take effect, they will upset various campus or segmental constituencies who may then come to the Legislature to appeal those decisions. It will be up to you to determine which appeals have merit and which do not. I suspect that your decisions will be made largely on your sense of whether

the management process in place in our institutions is both rigorous and humane. In view of the kinds of issues higher education will be facing and of the very difficult decisions that will be required, it is unrealistic to expect educational leaders to obtain the degree of consensus on policy decisions possible in a period of growth, when the major issue is how to divide up an ever-expanding number of dollars.

At times like this, it is tempting to minimize discretion in order to ensure that the worst possible errors will be avoided. The better course is to provide educational institutions with latitude, while holding them accountable for the results of their decisions. The way that the Legislature deals with this issue will, in my view, determine to a great extent whether the changes and improvements in management style that are needed in higher education can or cannot be achieved.

Despite the difficulties and problems these new conditions pose, I find some room for optimism. We can, and must, begin to reexamine what we do educationally and why we do it, how much money we need to do it, and whether we could do it better. Now that we are no longer obsessed with the problems of growth and with numbers of students and campuses, we have an opportunity to enhance quality, to give more thoughtful consideration to the educational process, and to turn our energies away from size and numbers to doing a better job with new and better ideas

For the first time in almost two decades, students are a scarce resource. It may be much better to be a student when students are a scarce resource than when they are plentiful. An institution will think very serious-

ly about the kind of job it is doing for students once it recognizes that they can vote with their feet and will be welcomed by competitors. This situation can provide the impetus for our institutions to address some of the qualitative issues I have discussed, including improving the quality of the educational experience and increasing retention and persistence rates.

We can expect competition for students to increase and, if kept within reasonable bounds, this can be a healthy development. The result of such competition may well be intensified efforts by our colleges and universities to do a better job for students. Institutions which respond thoughtfully are likely to emerge from this period with greater vitality. Others may not survive.

Like all traditional institutions, higher education is sometimes remarkably slow to recognize and respond to the changes that take place in society, whether they be economic, demographic, political, or attitudinal. One need only remember that it took a legislative resolution calling on the educational community in this State to get its house in order to bring about the Master Plan which we now acclaim. By the same token, we have been aware of the demographic prospects for the eighties and the nineties for quite some time, yet it took the trauma of Proposition 13 and the Governor's "10 percent letter" for the segments to begin seriously and realistically making plans for a much different future. Nevertheless, history is very clear on one point: When the higher education community in California has mobilized its energies to address a set of issues, it has done so with great effectiveness and in a way that provided the people of California with the highest quality of postsecondary education.